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BENEFITS

WHO CAN GET SOCIAL SECURITY BENEFITS AND HOW

Social Security is
more than retirement

PURPOSE

To give students an understanding of the types of Social Security benefits and how to get them.

OVERVIEW

This lesson clarifies one of the most common misconceptions about Social Security—that it is primarily a retirement program. Students will learn about the family income protection they now have under Social Security and the protection they will earn as they enter the workforce. The lesson presents the types of benefits available and discusses the qualifying criteria. The importance of the Social Security earnings record and the Social Security number is explained.

OBJECTIVES

At the conclusion of this lesson, students will be able to:

List the types of Social Security benefits and how to qualify for them.

Explain why workers need a Social Security card and how they become insured for Social Security.

MATERIALS

VIDEOTAPE (If it has not already been shown.)

HANDOUTS
(1-11)

FACTSHEET 1
Types of Social Security Benefits and How to Qualify For Them

FACTSHEET 2
How Workers Become Insured for Social Security Benefits

QUIZ

KEY TERMS

BENEFIT
Monthly cash payment to insured workers and their families under the Social Security program.

EARNINGS RECORD
The individual's credited earnings under Social Security, recorded in yearly amounts.

FICA
Federal Insurance Contributions Act; another way of referring to Social Security taxes.

INSURED STATUS
Having enough earnings credits to qualify for Social Security benefits.

SOCIAL SECURITY NUMBER
A nine digit number used to identify workers, their earnings record and their taxes.

SOCIAL SECURITY TAXES
A percentage of earnings paid by employees, employers, and the self-employed to provide payments when earnings are reduced due to retirement, disability, or death.

SUPPLEMENTAL SECURITY INCOME (SSI)
A federal assistance program administered by Social Security which provides cash payments to needy people who are 65 or older, or blind, or disabled.

SPOUSE
Wife or husband.

INDEXED
When referring to the Social Security benefit formula, this means benefits are figured from the earnings record as adjusted by increases in general wages over the applicant's worklife.

COST-OF-LIVING
What we pay for goods and services on the average. Various formulas are used to arrive at the "cost-of-living" that takes into account what people pay for food, housing, clothing, and other items.

RETIREMENT BENEFITS
Monthly payments to workers age 62 and older who worked under Social Security long enough to become insured.

DISABILITY BENEFITS
Monthly payments to workers of any age who worked under Social Security long enough and recently enough to be insured. The applicant must suffer from a physical or mental condition that is expected to prevent him/her from working a year or more or to result in death.

SURVIVORS BENEFITS
Monthly payments to eligible members of the family of a deceased worker who worked long enough under Social Security to be insured.

INTERNAL REVENUE SERVICE
The federal agency responsible for the collection and disbursement of federal taxes.

FIXED INCOME
Refers to the condition in which a person's income does not change relative to changes in the price of the goods he/she purchases.

HOSPITAL INSURANCE
Refers to Part A part of Medicare which helps pay for hospital expenses for Medicare enrollees.

SUPPLEMENTARY MEDICAL INSURANCE
Refers to Part B of Medicare which helps pay for doctor bills and other medical expenses for Medicare enrollees.

OPENING THE LESSON

State the objectives of the lesson.
Review the key terms.

If the students have been given Factsheets #1 and #2 to read before the class, you should lead the following discussion as a quick review of the material. Permit them to use the factsheets for reference in responding to questions. The handouts contain the highlights of each numbered point in the lesson plan. Alternatively, you may prefer to list the answers on the chalkboard as they are given.

FACTSHEET 1

DEVELOPING THE LESSON

REFER TO VIDEO

1. Ask students to name the types of benefits Social Security pays. Refer to the video and the characters who were receiving disability benefits and survivors benefits. Note that Grandpa was looking forward to retirement.

HANDOUT 1

TYPES OF SOCIAL SECURITY BENEFITS

Retirement
Survivors
Disability
Medicare

2. Ask students if they know anybody receiving Social Security benefits. What type of benefits?

Do they know any young people receiving Social Security benefits?

HANDOUT 2

What type of benefits can a young person qualify for?

These benefits are payable on the earnings of a retired, deceased or disabled worker:

Unmarried children under 18; under 19 if still in high school

Unmarried children disabled before age 22 who continue to be disabled

REFER TO VIDEO

Discuss the purpose of Social Security benefits for children. Are such benefits necessary? Do children really suffer a loss of income when parents retire, die, or become disabled? Do students feel the benefits make a difference? How? Recall the character in the film, Sharon, and her description of how the benefits affected her life.

3. Ask students if they realize that most of them could probably qualify for survivors benefits if a parent dies.

HANDOUT 3

Discuss who else may get survivors benefits. These benefits are payable on the deceased worker's earnings record:

CHILD (as discussed above)

WIDOW OR WIDOWER AT AGE 60, OR DISABLED AT AGE 50

DEPENDENT PARENT (of worker) 62 OR OLDER

4. Discuss who can get retirement benefits. Ask students if they know how old they must be to get retirement benefits. Discuss this and other qualifying factors, referring to Factsheet # 1. These benefits are payable on the retired worker's earning record:

HANDOUT 4

WORKER

☐ Reduced benefits at 62

☐ Full benefits at 65 (67 by 2027.) This change was made by the 1983 amendments to account for the increasing life span of people and the expected added expense to the Social Security program in benefits payable.

☐ Increased benefits for retirement after 65 (67 by 2027)

WIFE OR HUSBAND

☐ Reduced benefits at 62

CHILD (as discussed above)

5. Based on Factsheet #1, ask students to identify who can get disability benefits. Note that disability benefits are paid to people who suffer a physical or mental condition which is expected to keep them from working at least a year or to result in death. The work does not have to be the same kind as done before. It can be any kind of work found in the national economy. This definition of disability is somewhat more strict than the definition used by some other programs that pay for partial disability, e.g. veterans benefits. Discuss why this should be so. (Program designed to pay for long-term, total disability. Benefits continue so long as a person is disabled. Total, long-term disability is the most expensive form of disability and a risk that the worker can least afford to protect against through other means.)

These benefits are payable on the earnings record of the disabled worker (except disabled widow or widower's benefits, which are paid on the record of the deceased worker.) Note that wife/husband and child benefits are essentially the same as for retired worker:

HANDOUT 5

DISABLED WORKER

WIFE OR HUSBAND
(same as under retired worker)

CHILD (same as under retired or deceased worker)

DISABLED WIDOW OR WIDOWER AT AGE 50

- 6.** Repeat the above exercise with Medicare.
Medicare benefits are:

For people 65 or over

For people receiving disability benefits for at least 24 months

HANDOUT 6

For people with permanent kidney failure

Has two parts:

PART A—Hospital Insurance: covers most inpatient hospital expenses.

PART B—Medical Insurance: covers doctor bills and other outpatient medical expenses.

- 7.** Note that we are going to discuss how to become insured for Social Security benefits.

Ask how many students have a Social Security card.
Discuss what the students feel the card is to be used for.
Ask if any students are working or have worked. Note that the Social Security number card is the key to protection and benefits under the program.

FACTSHEET 2

The Social Security number is used by your employer to pay Social Security taxes and to post wage amounts to earnings record.

Self-employed persons use Schedule SE of the Federal income tax return to report net income from self-employment. Net earnings must total at least \$400 a year to be considered net income from self-employment.

Employee's yearly wages are reported on form W-2. This form shows your yearly Social Security wages, total taxable wages for income tax purposes, and the amount of Social Security and income taxes withheld. The employer sends a copy to Social Security to correctly credit each year's wages on your earnings record.

8.

Benefits are based on earnings credited to your lifetime earnings record maintained by Social Security.

HANDOUT 7

Earnings reported to your record by employer.

You should check your earnings at least once every three years.

Ask the Social Security office to send you a Form 7004 with which you may request a statement of your earnings.

When you send in the Form 7004, Social Security will send you a "Personal Earnings and Benefit Estimate Statement" which shows not only earnings but an estimate of benefits based on those earnings. (See Lesson V for information on how to use this statement in financial planning.)

9.

No benefit can be paid on an earnings record unless the worker is "insured." Being insured means that he or she has credit for a certain amount of work under Social Security.

A credit of work is based on a specific amount of earnings that increases each year with increases in wage levels. A worker may earn a maximum of four credits a year.

The amount of work credits needed for benefits to be paid on your earnings record depends on the type of benefits and the age at which you apply.

HANDOUT 8

RETIREMENT

No more than 10 years (40 credits)

SURVIVORS

At least one and one-half years (six credits), no more than 10 years (40 credits)

DISABILITY

Ranges from one and one-half years (six credits) out of the last three years for workers under 24, to five years (20 credits) out of the last 10 years for workers 31 and older. Workers over 43 also need the same number of work credits they would need for retirement benefits (no more than 40 credits).

10.

For people who have not worked long enough under Social Security to qualify for benefits, or who have very low benefits, Supplemental Security Income (SSI) payments may be available.

HANDOUT 9

SSI is a federal assistance program administered by Social Security.

SSI payments are made to needy people who are age 65 and older, or blind, or disabled.

Provides nationwide, uniform floor of income for the aged, disabled, blind.

Most states supplement payment based on local standards of need.

11. Ask students to tell you what they know about how the amount of their benefits is figured, based on Factsheet #2.

Based on average annual earnings over your working life.

HANDOUT 10

The higher the earnings, the higher the benefit, up to a family maximum.

Weighted in favor of low earners, families.

Benefits are reduced for each month before age 65 a person retires, a maximum of 20 percent for a person retiring on his/her 62nd birthday. Under the 1983 amendments, the reduction for early retirement will be as high as 30 percent for people retiring after 2021.

Delayed retirement credits increase benefits for people who retire after the full retirement age, currently 65. Delayed retirement credits will gradually increase from four and one-half percent in 1995 to eight percent per year for people who reach age 66 in 2009.

Ask the students how they feel about reducing benefits for early retirement. Delayed retirement credits? Why are these percentages increasing? (To encourage people to work longer, delay drawing benefits, and thereby decrease program expenses.) Do students feel that “weighting” the benefit formula is fair? How would they change it and still meet the goal of providing a continuing income to a worker and his/her family at retirement, disability, or death? Do they feel the benefits are too low? Would they be willing to pay higher taxes for higher benefits?

HANDOUT 11

Benefits are designed to maintain their value in two ways:

Benefits are computed on earnings indexed to reflect increases in average wages over your working life up to age 60.

Benefits increase annually with increases in the cost of living at and after age 62.

Discuss: What would be the result if wages were not indexed? What would be the result if benefits did not increase with the cost of living? Answers should point up the problem of inflation on fixed incomes, the difference in the value of today's dollars versus yesterday's and tomorrow's dollars.

CONCLUDING THE LESSON

12. Give the quiz and discuss.

QUIZ

ALTERNATIVE EXERCISE

Have the students count off by four and identify each group of four people as a “family” composed of mother, father, and two children. Deposit in a box, bag, or similar container slips of paper containing the following scenarios under which a family would apply for Social Security benefits. Each group must determine which members of the group could qualify for benefits.

Allow 10 minutes for the group meetings. Have each of the members of the group assume one of the roles described in the scenario (worker, spouse, child) and report to the class why he or she qualifies or does not qualify for a Social Security benefit.

EXAMPLE

Worker retires at 64; spouse age 60; children ages 35 and 37;

Benefits payable to retired worker who is over 62, the minimum retirement age; spouse is under 62 with no children under 16 in his/her care, and does not qualify; children do not qualify since they are over 18 and are not disabled.

1. Worker retires at 65; spouse also age 65; children age 24 and 27;

Benefits payable to retired worker, spouse over age 62, but not to children over 18 and not disabled.

2. Worker retires at 67; spouse is 65. Children ages 39, 44;

Benefits payable to worker and spouse both over 62; children do not qualify—both are over 18 and not disabled.

3. Worker dies at age 45, leaving spouse, age 35, children ages 10, 12;

Benefits payable to children under 18. Spouse gets benefits as surviving spouse with child under 16 in his/her care.

4. Worker dies at 65; spouse 60; children ages 28 and 35; 35-year-old disabled in an auto accident two years ago;

Widow/widower may qualify for benefit at age 60; first child cannot because he/she is over 18 and not disabled. Disabled child cannot qualify on the deceased parent's record because he/she was not disabled before age 22.

5. Worker dies at 64; spouse age 55 and disabled; children ages 17, 30;

Spouse may get disabled widow's benefit since she is disabled after age 50; child, 17, may get benefit as minor under 18; second child over 18 and not disabled does not qualify.

6. Worker dies at 21, spouse is 18; children ages 2, 3;

Spouse qualifies with children under 16 in his/her care; children under 18 qualify.

7. Worker disabled at age 24; spouse is 22; children 3, 5;

Worker qualifies; spouse qualifies with children under 16 in his/her care. Children qualify as under 18.

8. Worker disabled at age 64; spouse 62; child 21, adopted child 14;

Worker qualifies; spouse qualifies at age 62 or with child under 16 in his/her care; adopted child may qualify; child over 18 and not disabled does not qualify.

9. Worker dies at age 55; spouse 38; child 17; dependent mother of worker living with them, age 75;

Child under 18 may receive benefit; spouse does not qualify since she is not 60 and not caring for child under 16; dependent mother may qualify since she is age 75.

10. Worker disabled at 35; spouse 29; both dependent parents living with worker;

Worker qualifies for benefit; spouse does not since he/she is not age 62 and has no children under 16 in care; no dependent parents' benefits payable on disabled worker's earnings record (dependent parents can get survivors benefits if worker dies).



Social Security Administration